

Axiata Group (AXIATA MK)

1Q26: Strong Results Driven By OpCos Merger Synergies And Cost Discipline

Highlights

- Axiata reported a 1Q26 net profit of RM274m (+71% qoq), driven by overall cost discipline and positive merger synergies in Indonesia and Sri Lanka. This strong set of results is above house and street estimates, attributable to narrowed Indonesia losses.
- Axiata saw its net debt/EBITDA expand slightly to 2.51x due to an uptick in borrowings from OpCos. Balance sheet optimisation remains on track as we await news on the monetisation of edotco within the year.
- Maintain BUY with an SOTP-based target price of RM3.00.

1Q26 Results

Year to 31 Dec (RMm)	1Q26	4Q25	1Q25	qoq % chg	yoy % chg
Revenues	2,799.9	2,979.2	2,891.9	(6.0)	(3.2)
Reported EBITDA	1,355.9	1,438.8	1,219.2	(5.8)	11.2
Reported EBITDA Margin (%)	48.4%	48.3%	42.2%	0.1	6.3
Reported Pre-tax profit	518.5	360.0	240.5	44.0	115.6
Reported Net profit (from continued operations)	273.8	(38.7)	159.8	>100.0	71.3
Cost Structure (% of revenue)	1Q25	2Q25	3Q25	4Q25	1Q26
Direct Expenses	7.8%	7.6%	10.3%	8.2%	10.4%
S&M	6.1%	6.0%	7.3%	7.5%	7.0%
Staff cost	7.2%	7.9%	11.7%	10.6%	10.1%
G&A +others	26.8%	29.8%	23.5%	25.6%	23.1%

Source: Axiata, UOB Kay Hian

Analysis

- 1Q26: A strong start...** Axiata Group (Axiata) reported a 1Q26 net profit of RM274m vs a loss of RM39m in 4Q25. The earnings were primarily due to cost management and narrowed losses from XLSmart's and Dialog's outperformance. This is despite lower revenue base due to a stronger ringgit, which led to revenue declining 3% yoy and 6% qoq to RM2,800m. Earnings were also supported by better performance from Smart, Boost and CDB.
- ...with earnings beating expectations.** 1Q26 net profit exceeded expectations, accounting for 62% and 46% of our and consensus full-year forecasts respectively. We are likely to revise our earnings forecast upward, following an analyst briefing this morning.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	22,334.6	11,758.0	12,138.1	12,808.7	13,524.0
EBITDA	11,129.0	5,460.0	5,806.5	6,128.3	6,436.6
Operating profit	3,787.8	1,566.6	1,783.5	2,294.1	2,706.5
Net profit (rep./act.)	946.8	364.6	441.8	646.3	785.0
Net profit (adj.)	852.2	364.6	441.8	646.3	785.0
EPS	9.3	4.0	4.8	7.0	8.5
PE	21.8	50.9	42.0	28.7	23.6
P/B	0.9	0.9	0.9	0.9	1.0
EV/EBITDA	3.9	6.1	5.8	5.6	5.4
Dividend yield	5.0	5.0	5.0	5.0	5.0
Net margin	3.8	3.1	3.6	5.0	5.8
Net debt/(cash) to equity	86.5	55.5	56.9	57.9	59.1
Interest cover	1.5	1.8	2.6	3.7	5.1
ROE	4.0	1.8	2.2	3.3	4.0
Consensus net profit	-	-	601.1	827.5	1,108.0
UOBKH/Consensus (x)	-	-	0.7	0.8	0.7

Source: Axiata, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM2.02
Target Price	RM3.00
Upside	+48.5%

Analyst(s)

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Stock Data

GICS Sector	Communication Services
Bloomberg ticker	AXIATA MK
Shares issued (m)	9,188.2
Market cap (RMm)	18,560.2
Market cap (US\$m)	4,695.6
3-mth avg daily t'over (US\$m)	4.9

Price Performance (%)

52-week high/low				RM2.79/RM1.89
1mth	3mth	6mth	1yr	YTD
(9.8)	(12.6)	(26.5)	(1.0)	(19.8)

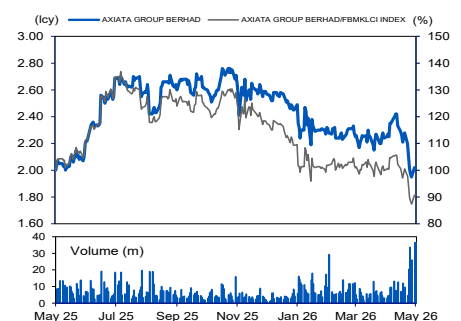
Major Shareholders

	%
Khazanah Nasional Bhd	36.4
Employee Provident Fund	19.4
Skim Amanah Saham	16.6

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.16
FY26 Net Debt/Share (RM)	1.23

Price Chart



Source: Bloomberg

Company Description

Mobile operator.

- Balance sheet optimisation remains on track.** Axiata saw its net debt/EBITDA expand slightly to 2.51x in 1Q26 (4Q25: 2.46x), mainly caused by an uptick in borrowings from Robi, Link Net and Boost, coupled with lower HoldCo and group cash (sukuk repayment). Management targets a net debt/EBITDA of 2.5x by end-26 and a run-rate of less than 2.0x by 2028, excluding InfraCo monetisation prospects.

1Q26 Performance Of Operating Companies (OpCos)

Robi (Bangladesh)	- On a constant currency (CC) basis, 1Q26 revenue grew 8% yoy, driven by strong data usage, prepaid growth and 4G adoption, despite being exposed to macroeconomics and geopolitical headwinds. EBIT (+28% yoy) and PATAMI (+85% yoy) rose substantially underpinned by cost discipline and lower interest cost, partly dragged by higher depreciation charges.
Dialog (Sri Lanka)	- On a CC basis, ytd revenue improved 9% yoy owing to rising prepaid revenue, strong mobile growth momentum and healthy 5G rollout. PATAMI (+>100% yoy) driven by lower depreciation and amortisation and net finance cost. Dialog delivered a surprise quarterly dividend of Rs0.70 per share, amounting to LKR6.4b (9% dividend yield).
SMART (Cambodia)	- On a CC basis, ytd revenue rose 7% yoy, experiencing prepaid data growth despite seeing a delay for revised 5G tariff launch. EBIT (+>15% yoy) and PATAMI (+85% yoy) resulted from cost efficiencies and lower depreciation.
Edotco	- Revenue retraced this quarter (-7% yoy), mainly due to adverse forex translation from subsidiaries. EBIT (flat yoy) and PATAMI (+11% yoy) driven by reduced interest and moderated site and network cos

Source: Axiata, UOB Kay Hian

Valuation/Recommendation

- Maintain BUY with an SOTP-based target price of RM3.00.** Against a backdrop of balance sheet deleveraging and operating cash flow discipline, we expect management to pay out a DPS of 10 sen for 2026. This translates to a dividend yield of 5.0%
- Edotco monetisation to materialise in 2026.** Management reiterated that the edotco's monetisation may materialise in 2026, as we estimate a blended 7-10x EV/EBITDA valuation for a trade sale. This suggest that Malaysia's tower sales will be valued at a premium to its frontier market assets. At 10x EV/EBITDA, the transaction is expected to be earnings accretive. In addition, recent volatility in the Indonesian capital markets may result in the deferment of LinkNet's near-term divestment plan.
- Key re-rating catalysts** include: a) stronger OPCO performance in the upcoming quarters; b) a deleveraging exercise across the group; and c) the monetisation of edotco, allowing for share price discovery.

Earnings Revision/Risk

- No change to earnings.

Environmental, Social, Governance (ESG)

Environmental

- Committed to achieving net-zero emission by no later than 2050 and absolute reductions of 42% in Scope 1 and 2 GHG emissions, and 25% in Scope 3 GHG emissions by 2030 from a 2022 base year.

Social

- Achieved 34% women's representation in senior management across the group in 2025.

Governance

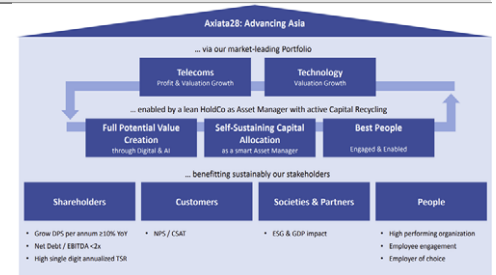
- Over 95% training completion for anti-bribery & anti-corruption, whistleblowing, data privacy and cyber security yearly.
- 30% women composition on the board of directors in 2025.

Fair Value At RM3.00/Share

	Equity Value (RMm)	% of SOTP
Operating Companies		
Celcom	16,646	50%
XL Axiata	3,959	12%
SMART	3,748	11%
Robi	3,997	12%
Dialog	212	1%
Total OPCOs	28,562	87%
Edotco	8,316	25%
ADA	635	2%
Boost	534	2%
Link Net	1,500	5%
Holding company debt	(6,533)	(20%)
Total (RMm)	16,646	50%
Axiata's SOTP (RM/share)	3.60	
Axiata's Fair Value (RM/share)	3.00	15% discount

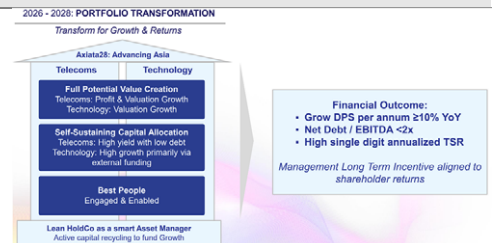
Source: UOB Kay Hian

Axiata28



Source: Axiata

2026-28 Focus



Source: Axiata

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,758.0	12,138.1	12,808.7	13,524.0
EBITDA	5,460.0	5,806.5	6,128.3	6,436.6
Deprec. & amort.	(3,893.4)	(4,023.1)	(3,834.3)	(3,730.0)
EBIT	1,566.6	1,783.5	2,294.1	2,706.5
Total other non-operating income	-	-	-	-
Associate contributions	19.3	705.0	787.8	787.8
Net interest income/(expense)	(548.1)	(408.6)	(401.8)	(407.4)
Pre-tax profit	995.6	2,079.8	2,680.1	3,086.9
Tax	(656.3)	(1,371.1)	(1,766.8)	(2,035.0)
Minorities	(267.0)	(267.0)	(267.0)	(267.0)
Net profit	364.6	441.8	646.3	785.0
Net profit (adj.)	364.6	441.8	646.3	785.0

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	3,705.6	4,348.5	4,479.7	4,560.5
Pre-tax profit	995.6	2,079.8	2,680.1	3,086.9
Tax	(656.3)	(1,371.1)	(1,766.8)	(2,035.0)
Deprec. & amort.	3,893.4	4,023.1	3,834.3	3,730.0
Associates	(19.3)	(705.0)	(787.8)	(787.8)
Working capital changes	(1,264.5)	(86.9)	118.2	159.0
Non-cash items	208.6	-	-	-
Other operating cashflows	548.1	408.6	401.8	407.4
Investing	(20.0)	(2,896.9)	(3,095.2)	(3,317.2)
Capex (maintenance)	(2,040.6)	(3,034.5)	(3,202.2)	(3,381.0)
Others	2,020.6	137.6	107.0	63.8
Financing	4,187.3	(1,964.8)	(2,427.3)	(2,389.7)
Dividend payments	(918.6)	(918.6)	(918.6)	(918.6)
Issue of shares	9.5	-	-	-
Proceeds from borrowings	(8,138.5)	(500.0)	(1,000.0)	(1,000.0)
Others/interest paid	13,234.9	(546.3)	(508.7)	(471.2)
Net cash inflow (outflow)	7,872.9	(513.2)	(1,042.8)	(1,146.4)
Beginning cash & cash equivalent	3,541.7	2,573.4	2,060.3	1,017.5
Changes due to forex impact	(470.1)	-	-	-
Ending cash & cash equivalent	10,944.5	2,060.3	1,017.5	(129.0)

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	14,457.1	13,468.5	12,836.4	12,487.4
Other LT assets	27,848.3	28,553.3	29,341.1	30,128.9
Cash/ST investment	3,746.8	3,233.6	2,190.8	1,044.4
Other current assets	3,716.2	3,834.6	4,043.5	4,266.3
Total assets	49,768.4	49,090.1	48,411.8	47,927.0
ST debt	6,650.6	6,400.6	5,900.6	5,400.6
Other current liabilities	7,196.4	7,227.9	7,554.9	7,936.7
LT debt	8,401.8	8,151.8	7,651.8	7,151.8
Other LT liabilities	3,451.1	3,451.1	3,451.1	3,451.1
Shareholders' equity	20,357.3	19,880.5	19,608.3	19,474.7
Minority Interest	3,711.1	3,978.1	4,245.1	4,512.1
Total liabilities & equity	49,768.4	49,090.1	48,411.8	47,927.0

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	46.4	47.8	47.8	47.6
Pre-tax margin	8.5	17.1	20.9	22.8
Net margin	3.1	3.6	5.0	5.8
ROA	0.7	0.9	1.3	1.6
ROE	1.8	2.2	3.3	4.0
Growth				
Turnover	(47.4)	3.2	5.5	5.6
EBITDA	(50.9)	6.3	5.5	5.0
Pre-tax profit	(61.2)	108.9	28.9	15.2
Net profit	(61.5)	21.2	46.3	21.5
Net profit (adj.)	(57.2)	21.2	46.3	21.5
EPS	(57.2)	21.2	46.3	21.5
Leverage				
Debt to total capital	41.9	41.0	38.8	36.3
Debt to equity	73.9	73.2	69.1	64.5
Net debt/(cash) to equity	55.5	56.9	57.9	59.1
Interest cover (x)	1.8	2.6	3.7	5.1

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